

Message Text

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ACTION EUR-12

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PARIS ALSO FOR USOECD; ALSO FOR USEC

PASS TREASURY FOR US CUSTOMS SERVICE/SPECIAL CUSTOMS
STEEL TASK FORCE/ROSETTIE

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TAGS: ETRD, EIND, BE
SUBJECT: TRIGGER PRICE MECHANISM: WEEKLY BELGIAN STEEL
REPORT AND PRICE LISTING

EMBASSY'S FREE TRANSLATION OF DAILY "LE SOIR" (AUGUST 18,
1978) ON BELGIAN STEEL INDUSTRY FOLLOWS: BEGIN QUOTE

THE STEEL MARKET REMAINS FAVORABLE, EVEN FIRM. THIS
INDICATION IS VALID FOR WHAT IS CALLED GENERALLY DISTANT
EXPORTS I.E. EXPORTS OUT OF THE E.E.C.

NEVERTHELESS THE MARKET FOR JULY AND AUGUST REMAINS THE
SAME, NAMELY IT HAS A TENDENCY TO BE QUIET.

WE HAVE OBTAINED INTERESTING PRICE INDICATIONS FOR THE
VARIOUS CATEGORIES OF STEEL. THE MOST CURRENTLY USED
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PRICES ON THE INTERNATIONAL STEEL MARKET ARE QUOTED IN
DOLLAR, BUT IT IS WELL KNOWN THAT THE PRODUCERS NEARLY
ALWAYS EMPLOY IN THEIR CONTRACTS ANOTHER CURRENCY
QUOTE THAT COVERS THEM FROM THE RISKS OF THE EXCHANGE RATE.

HERE ARE THE PRICES IN BELGIAN FRANCS, BY CATEGORY AND
ACCORDING TO THE LAST AVAILABLE REPORTS. THESE ARE THEO

PRICES FOR DISTANT EXPORTS:

CONCRETE REINFORCING BARS	PLUS/- 7,800
MERCHANT STEEL	PLUS/- 8,300
BEAMS AND SECTIONS	PLUS/- 9,000
NARROW STRIPS	PLUS/- 9,200 - 9,300
HOT ROLLED COILS	PLUS/- 9,100
HEAVY AND MEDIUM PLATES	PLUS/- 9,600
WIRE	PLUS/- 8,700

THE STRONG DEVALUATION OF THE DOLLAR IS CERTAINLY BADLY VIEWED BY OUR METALLURGISTS BUT IT IS PROBABLY ACCEPTED WITH LESS REACTION THAT ONE WOULD HAVE THOUGHT AT FIRST.

IN FACT, AS MENTIONED ABOVE, FOR DISTANT EXPORTS - WITH THE EXCEPTION OF THOSE TO THE US - THE REFERENCE MADE ON THE BILLS OF SALE IN A CURRENCY OTHER THAN THE DOLLAR ENABLES THE PRODUCERS TO BE IN A SHELTERED POSITION WHEN THE DEVALUATION IS QUITE ABRUPT AND VIOLENT (AS WAS THE MOST RECENT ONE). IF THIS SYSTEM IS NOT USED, THE NORMAL COVER (BY EMPLOYING THE FORWARD MARKET, WITH THE HELP OF BANKS,)HELPS.

IN ANY EVENT, OUR PRODUCERS ARE STILL AFFECTED BY THE FALL OF THE DOLLAR. IN FACT, DOLLAR QUOTES EXIST, IF ONE WANTS THEM OR NOT; CONSEQUENTLY, THEY PSYCHOLOGICAL-
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LY CREATE ON EVIL EFFECT, EVEN IF NOT JUSTIFIED, IN CASE OF AN ABRUPT FALL OF THE AMERICAN CURRENCY.

A SECOND NEGATIVE EFFECT OF DROP OF THE DOLLAR TOUCHES THE STEEL SOLD TO THE U.S. OUR PRODUCERS SAY THAT THE TRIGGER PRICE IS PRESENTLY SET AT A SIMILAR PRICE TO (OR EVEN HIGHER THAN)THE INTERNAL AMERICAN PRICES.

IN PRACTICAL, THESE TRIGGER PRICES HAVE BROUGHT THE SELLING PRICES OF OUR STEEL TO THE SAME LEVEL AS THE USA INTERNAL PRICE. END QUOTE. CHAMBERS

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